

Federal Energy Regulatory Commission



FERC and State Roles in Implementing a National Energy Strategy

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for the
NARUC Committee on Gas
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Major Topics

- Supply
- Transportation
- Market Design
- Environmental Values
- Just and Reasonable Prices



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I. Promoting the Development of Necessary Supply

- Natural Gas Supply Issues
 - Recent price volatility
 - Relationship between natural gas drilling activity and commodity prices
 - Wellhead prices averaged under \$2.00/Mcf in 1998 and 1999
 - Rig count went from a 2-year low of 371 in April, 1999, to nearly 900 this year.
 - Wellhead prices this winter will average \$6.14



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I. Promoting the Development of Necessary Supply

- Electricity Supply Issues
 - Appropriate mix of generating capacity
 - Shortages of generating capacity
 - Generation siting
 - Reserve requirements (PJM Model)
 - Standardized interconnection procedures



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II. Federal Policies that Promote Open, Transparent and Well-organized Energy Transmission

- Open Access Issues on the National Gas Grid
 - Efficient and effective FERC certificate process and significant reductions in FERC's processing time
 - Order No. 637's requirement to provide imbalance management tools to reduce shipper penalties
 - March 15 Staff technical conference to focus on continued efficacy of rules governing pipeline marketing affiliates



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II. Federal Policies that Promote Open, Transparent and Well-organized Energy Transmission

- Open Access Transmission Issues in Electricity Markets
 - Orders 888 and 889 end most blatant discrimination in grid access
 - Order No. 2000
 - RTO scope and configuration
 - Federal siting authority over electric transmission



III. Critical Electric Market Design Issues

- Defining and addressing market power abuses
- Discourage over-reliance on spot markets
- Rational congestion management, nodal pricing
- Robust demand-side response
- Reserve requirement



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IV. Balancing Environmental Values with Supply and Facilities Requirements

- Energy needs must respect environmental values
- Consuming less often best choice
- Demand-side half of energy equation



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V. Market-based Regulation Must Produce Just and Reasonable Prices

- If markets fail to produce just and reasonable prices they will not endure